

1 G. LEWIS CHARTRAND, JR. (#124389)
Supervising Counsel
2 JOAN W. CAVANAGH (#56708)
Senior Counsel
3 CALIFORNIA DEPARTMENT OF MANAGED CARE
980 9th Street, Suite 500
4 Sacramento, CA 95814-2725
Telephone: (916) 323-0435
5 Facsimile: (916) 323-0438

6 Attorneys for Complainant
7

8 BEFORE THE DEPARTMENT OF MANAGED CARE
9 OF THE STATE OF CALIFORNIA

10 In the Matter of the Order Revoking the) FILE NO: 00-139
License of PROMED HEALTH CARE) OAH NO:
11 AMINISTRATORS,)
12 Respondent) ORDER REVOKING LICENSE
13 _____)

14
15 For the reasons set forth herein, the Director of the Department of Managed Care
16 of the State of California ("Director"), hereby revokes, effective August 9, 2000, the
17 license of ProMed Health Care Administrators ("Respondent").

18
19 JURISDICTION

20 1. At all times since April 7, 1999, Respondent has been issued a "limited"
21 license by the Director as a health care service plan with waivers, license number 933
22 0380. Respondent's principle corporate office is located at 1154 North Mountain
23 Avenue, Upland, California, 91367.

24 2. Health and Safety Code section 1399 authorizes the Director to order the
25 summary revocation of the license of a health care service plan if the Director determines
26 that the plan has violated specific provisions of the Knox-Keene Act or the regulations
27 adopted thereunder.
28

1 3. As set forth below, the Director finds that Respondent has violated Health
2 and Safety Code sections 1399(b) and (c), and California Code of Regulations, title 10,
3 sections 1300.51(d), Exhibit K, and 1300.51(d), Exhibit HH, in that Respondent has
4 failed to initiate business activity as a licensee, failed to file required amendments to its
5 applications within specified time frames and failed to file an amended business plan
6 within the time specified by the Department. These violations are grounds for summary
7 revocation of Respondent's license pursuant to Health and Safety Code section 1399,
8 subparagraphs (b) and (c).

9
10 Respondent Failed to Initiate Business Within
 Six Months of the Issuance of its License

11 4. On January 10, 2000, the Department transmitted a letter to the Respondent
12 informing Respondent that because it had not yet obtained enrollees, it was subject to
13 summary revocation of its license pursuant to Health and Safety Code section 1399(b).
14 Health and Safety Code section 1399(b), in relevant part, states that if the Director finds
15 that the plan has "failed to initiate business activity as a licensee within six months after
16 licensure...the director may by order summarily revoke the license of the plan."

17 5. As of the present time, Respondent has been licensed for one (1) year and
18 has failed to initiate business as required by the Knox-Keene Act.

19
20 Respondent Failed to File the Amendments
21 Required by its Undertaking

22
23 6. Pursuant to an undertaking to the Department executed by the Respondent
24 on January 4, 1999, the Respondent undertook to incorporate all changes indicated in
25 amendments to its license application into its existing agreements either by amendment or
26 through new executed agreements within thirty days of Respondent's licensure. On April
27 7, 1999, the Respondent was issued a limited license with the specified undertaking.

28 7. On May 10, 1999, the Department transmitted a letter to the Respondent

1 informing Respondent of its duty to comply with the undertakings of its limited license
2 by demonstrating that it had amended contracts with all providers within thirty days of
3 Respondent's licensure.

4 8. On May 13, 1999, the Department received a letter from Respondent in
5 which Respondent indicated that it would be unable to comply with its undertaking to
6 amend all contracts within thirty days of its licensure but would complete the process by
7 June 30, 1999. Additionally, Respondent informed the Department that it would not
8 enter negotiations for full-risk contracts until Respondent executed new contracts with its
9 providers.

10 9. On May 18, 1999, the Department transmitted a letter to the Respondent
11 requesting the Department be notified when all agreements were executed.

12 10. On June 28, 1999, the Department received a letter from Respondent
13 informing the Department that new agreements had been entered with more than ninety
14 (90) percent of its providers. Additionally, the letter confirmed that Respondent would
15 inform the Department when all agreements with providers were executed and that no
16 new negotiations for full-risk contracts would be entered into prior to the execution of
17 agreements with all providers.

18 11. Pursuant to Health and Safety Code section 1399(c), the "director may
19 summarily suspend or revoke the license of a plan upon ...(2) failure to file any
20 amendment or report required under this chapter within 15 days after notice by the
21 Director that the report is due." California Code of Regulations, title 10, section
22 1300.51(d), Exhibit K, requires that the plan file an amendment demonstrating that it has
23 executed contracts with all its providers.

24 12. Respondent has not notified the Department that it has executed contracts
25 as required by its undertaking.

26 ///

27 ///

Respondent Failed to File an Amendment
to its Business Plan

13. On January 10, 2000, the Department requested that Respondent submit a revised business plan within thirty days. As of the present time, this revised business plan has not yet been submitted to the Department. California Code of Regulations, title 10, section 1300.51(d), Exhibit HH, requires a Plan to file a revision of its business plan when requested by the Department.

CONCLUSION

14. Based on the foregoing, the Director finds that the Respondent has violated Health and Safety Code section 1399(b) and (c), and California Code of Regulations, title 10, section 1300.51(d), Exhibit K, and 1300.51(d), Exhibit HH.

15. These violations constitute grounds for summary revocation of the Respondent's license under Health and Safety Code section 1399.

16. Unless the Respondent submits facts contradicting the facts set forth in this Order on or before the close of business on August 8, 2000, the Director hereby orders that the Respondent's license be revoked on August 9, 2000.

17. Pursuant to Health and Safety Code section 1384(b), Respondent is hereby ordered to submit the consolidated audited financial statements for the plan, its parent, and its affiliates for fiscal year 1999 no later than November 18, 2000.

Dated: August 2, 2000

/s/
G. LEWIS CHARTRAND
Acting Chief, Office of Enforcement
Department of Managed Care